

Press Release

Bharathi Women Development Centre



December 07, 2021

Rating Assigned and Reaffirmed

Product	Initial Quantum (Rs. Cr.)	Net Quantum (Rs. Cr)	Long Term Rating	Short Term Rating
Bank Loan Ratings	10.00	10.00	ACUITE BB+ Stable Assigned	
Bank Loan Ratings	40.00	40.00	ACUITE BB+ Stable Reaffirmed	
Total	-	50.00	-	-

Rating Rationale

Acuité has reaffirmed the long-term rating of '**ACUITE BB+**' (**read as ACUITE double B plus**) on the Rs. 40.00 crore bank facilities of Bharathi Women Development Centre (BWDC). The outlook is 'Stable'.

Acuité has assigned the long-term rating of '**ACUITE BB+**' (**read as ACUITE double B plus**) on the Rs. 10.00 crore proposed bank facilities of Bharathi Women Development Centre (BWDC). The outlook is 'Stable'.

The rating continues to factor in the experienced management and moderate capitalisation levels. BWDCs capital adequacy ratio stood at 31.21 percent as on October 31, 2021 as against 33.70 percent in as on March 31, 2021. The rating takes in to account healthy asset quality indicators marked by GNPA and NNPA of 0.24% [March 31, 2021:0.14%] and 0.12% [March 31, 2021: 0.07%] respectively. While Acuite takes cognizance of asset quality challenges in general on account of disruptions due to Covid-19 spread, BWDC has been able to maintain healthy asset quality metrics on account of its established business model. The collection efficiency for October 31, 2021 stood at 96.92 percent. These strengths are partially offset by modest scale of operations, geographic concentration and limited financial flexibility with further constrains AUM growth. Going forward, the company's ability to profitably scale up its operations while maintaining its asset quality and profitability shall be key monitorables.

About the company

Tamil Nadu-based, BWDC was established in 1987, as a non-profit organization. It is registered under the Societies Registration Act, 1975. BWDC extends micro-credit to the poor and underprivileged women in the society, engaged in income-generating activities under the Joint Liability Group (JLG) and Self Help Group (SHG) model. The society caters to the rural areas of Tamil Nadu and Puducherry.

Analytical Approach

Acuité has considered the standalone business and financial risk profiles of BWDC to arrive at this rating.

Key Rating Drivers

Strength

Experienced management and established presence in area of operation

BWDC, commenced its lending operations in 2009, offering micro-credit to women engaged in income generating activities under the Joint Liability Group (JLG) model and Self Held Group (SHG) model. The society also extends Small Business Loan, Agriculture Loans and Water & Sanitation loans. BWDC caters to rural areas of Tamil Nadu and Puducherry with its network of 11 branches across 8 districts. BWDC is promoted by Mr. M. Nagarajan (CEO). The board members are Ms. VS Kusala Kumari (President), Ms. Amirthavalli. R (Vice President). BWDC's managing committee includes seasoned professional like Ms. J. Selva Kumari (Joint Secretary) and Dr. K. Baskar (Treasurer), who have over three decades of experience working with various societies engaged in microfinance lending. Over the years, BWDC has expanded its operations to build an AUM of Rs. 33.77 Cr. as on Oct 31, 2021 as compared to Rs. 28.68 Cr. as on March 31, 2021 and Rs.29.00 Cr. as on March 31, 2020.

Acuité believes that experience of the promoters and management will be central to support the business risk profile of the society.

Healthy Asset Quality; Adequate Profitability

While Acuite takes cognizance of asset quality challenges in general on account of disruptions due to Covid-19 spread, BWDC has been able to maintain healthy asset quality metrics on account of its established business model. BWDC receives 99% the dues within time, which ensures the asset quality. AUM has also increased to Rs. 33.77 crore as on October 31, 2021 from Rs. 28.68 crore in FY2021. The overall profitability has improved in FY2021, where Net Interest Margin has increased to 14.95 percent in FY2021 as against 13.73 percent in FY2020. The annualized NIM for H2 FY2022 stood at 15.72 percent. The society reported ROAA and RTNW of 4.05 percent and 18.92 percent respectively in FY2021 vis-à-vis 3.33 percent and 18.01 percent in FY2020. PAT has increased to Rs. 1.40 crore in FY2021 as compared to Rs. 1.11 crore in FY2020 on account of increase in Operating Income from Rs. 3.73 crore in FY2020 to Rs. 4.31 crore in FY2021. Half yearly PAT for FY2022 stood at Rs. 0.79 crore attributed to increase in disbursements in Q2 FY2022.

Acuité believes that going forward the ability of the company to maintain sound asset quality and adequate profitability will be key rating sensitivity.

Weakness

Modest scale of operations and low geographic concentration

BWDC has a major presence in Tamil Nadu ~94 percent and remaining 6 percent in Puducherry. This exposes BWDC to high geographical concentration risk. Thus, business performance is expected to remain exposed to the competitive landscape in these regions and the occurrence of events such as natural calamities, which may adversely impact the credit profile of the borrowers. The impact of Covid-19 has also affected the scalability of business operations, which had disrupted disbursement processes for Q1FY2022. The microfinance sector is also susceptible to regulatory risks. Such institutions lend to the poor and downtrodden sections of society, and will therefore remain exposed to socially sensitive factors and, consequently, to tighter regulations and legislation.

Acuité believes that modest scale of operations coupled with geographic concentration in its portfolio will continue to weigh on BWDC's credit profile over the near to medium term.

Limited Financial Flexibility

BWDC being a non-profit organization, has limited scope of raising equity capital which further constrains its ability to borrow and scale up business operations. BWDC relies on external borrowings which comprises of term loans from banks and NBFCs/FIs that amounts to Rs. 31.25

crore as on October 31, 2021, where majority of the borrowings constitutes from PSU banks (75.62 percent). BWDC has borrowings in pipeline amounting to Rs. 8 crore from SBI Bank, Indian Overseas Bank and INDIAN Bank. The gearing levels as on September 30, 2021 remained at 3.45x as compared to 3.28x as on March 31, 2021. Further, due to highly leveraged capital structure the society might face difficulty in attracting additional funding to support the growth in operations which may consequently impact its profitability and hinder growth plans.

Acuité believes that going forward the company's ability to maintain prudent capitalisation and gearing levels would be critical.

Rating Sensitivity

- Ability to raise capital
- Movement in liquidity and capitalisation buffers
- Movement in asset quality and profitability
- Scaling up operations
- Changes in regulatory environment

Material Covenants

None

Liquidity Position: Adequate

BWDC's overall liquidity profile remains adequate in near to medium term. The society has maintained unencumbered cash balance of ~Rs. 0.06 Cr. as on March 31, 2021. The company has witnessed current collection efficiency of around 96.92 percent in October 31, 2021, which further supports its liquidity profile. BWDC's monthly collections stood at ~Rs. 2.56 crore against monthly debt obligations of Rs. 1.73 crore and operating expense of Rs. 0.33 crore.

Outlook: Stable

Acuité believes that BWDC will maintain a 'Stable' outlook over the medium term supported by its established presence in the microfinance segment along with demonstrated ability to maintain asset quality. The outlook may be revised to 'Positive' in case of higher than expected growth in the loan portfolio while maintaining asset quality and capital structure. The outlook may be revised to 'Negative' in case of any headwinds faced in scaling up of operations or in case of significant deterioration in asset quality, thereby impacting profitability metrics.

Key Financials - Standalone / Originator

Particulars	Unit	FY21 (Actual)	FY20(Actual)
Total Assets	Rs. Cr.	35.14	34.17
Total Income*	Rs. Cr.	4.31	3.73
PAT	Rs. Cr.	1.40	1.11
Networth	Rs. Cr.	8.12	6.72
Return on Average Assets (RoAA)	(%)	4.05	3.33
Return on Net Worth (RoNW)	(%)	18.92	18.01
Total Debt/Tangible Net Worth (Gearing)	Times	3.28	4.00
Gross NPA's	(%)	0.14	0.07
Net NPA's	(%)	0.07	0.02

* Total income equals to Net interest income plus other income

Status of non-cooperation with previous CRA (if applicable):

Not Applicable

Any other information

Not Applicable

Applicable Criteria

- Application Of Financial Ratios And Adjustments: <https://www.acuite.in/view-rating-criteria-53.htm>
- Default Recognition: <https://www.acuite.in/view-rating-criteria-52.htm>
- Non-Banking Financing Entities: <https://www.acuite.in/view-rating-criteria-44.htm>

Note on complexity levels of the rated instrument

<https://www.acuite.in/view-rating-criteria-55.htm>

Rating History

Date	Name of Instruments/Facilities	Term	Amount (Rs. Cr)	Rating/Outlook
25 Nov 2020	Term Loan	Long Term	2.85	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	1.10	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	2.03	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	1.80	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	3.78	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	2.29	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	1.67	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	0.61	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	2.00	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	1.28	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	2.55	ACUITE BB+ Stable (Reaffirmed)
	Proposed Term Loan	Long Term	13.11	ACUITE BB+ Stable (Reaffirmed)
	Term Loan	Long Term	4.93	ACUITE BB+ Stable (Reaffirmed)
14 Nov 2019	Term Loan	Long Term	1.10	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
	Term Loan	Long Term	0.28	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
	Term Loan	Long Term	0.88	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
	Term Loan	Long Term	0.11	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
	Term Loan	Long Term	1.02	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
	Proposed Term Loan	Long Term	30.46	ACUITE BB+ Stable (Assigned)
	Term Loan	Long Term	1.15	ACUITE BB+ Stable (Upgraded from ACUITE BB Stable)
28 Dec 2018	Term Loan	Long Term	1.50	ACUITE BB Stable (Reaffirmed)
	Term Loan	Long Term	1.50	ACUITE BB Stable (Reaffirmed)
	Term Loan	Long Term	3.04	ACUITE BB Stable (Reaffirmed)
	Term Loan	Long Term	0.56	ACUITE BB Stable (Reaffirmed)
	Term Loan	Long Term	1.75	ACUITE BB Stable (Reaffirmed)
	Term Loan	Long Term	1.00	ACUITE BB (Withdrawn)

	Term Loan	Long Term	2.00	ACUITE BB (Withdrawn)
	Term Loan	Long Term	2.25	ACUITE BB Stable (Reaffirmed)
	Proposed Term Loan	Long Term	9.40	ACUITE BB Stable (Reaffirmed)
27 Dec 2017	Term Loan	Long Term	1.72	ACUITE BB Stable (Assigned)
	Term Loan	Long Term	1.68	ACUITE BB Stable (Assigned)
	Term Loan	Long Term	3.04	ACUITE BB Stable (Assigned)
	Term Loan	Long Term	1.33	ACUITE BB Stable (Assigned)
	Term Loan	Long Term	2.96	ACUITE BB Stable (Assigned)
	Term Loan	Long Term	1.00	ACUITE BB Stable (Assigned)
	Term Loan	Long Term	2.00	ACUITE BB Stable (Assigned)
	Term Loan	Long Term	3.00	ACUITE BB Stable (Assigned)
	Term Loan	Long Term	3.27	ACUITE BB Stable (Assigned)

Annexure - Details of instruments rated

Lender's Name	ISIN	Facilities	Date Of Issuance	Coupon Rate	Maturity Date	Initial Quantum (Rs. Cr.)	Net Quantum (Rs. Cr.)	Rating
Not Applicable	Not Applicable	Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	0.00	10.00	ACUITE BB+ Stable Assigned
Not Applicable	Not Applicable	Proposed Term Loan	Not Applicable	Not Applicable	Not Applicable	0.00	8.67	ACUITE BB+ Stable Reaffirmed
Bank of Maharashtra	Not Applicable	Term Loan	11-08-2021	12.60	Not available	0.00	3.03	ACUITE BB+ Stable Reaffirmed
Tamilnad Mercantile Bank Limited	Not Applicable	Term Loan	11-12-2017	11.75	Not available	0.00	1.90	ACUITE BB+ Stable Reaffirmed
Canara Bank	Not Applicable	Term Loan	29-12-2018	11.15	Not available	0.00	0.65	ACUITE BB+ Stable Reaffirmed
Bank of Maharashtra	Not Applicable	Term Loan	08-01-2019	12.70	Not available	0.00	2.28	ACUITE BB+ Stable Reaffirmed
Samunnati Financial Intermediation & Services Private Limited	Not Applicable	Term Loan	30-01-2020	18.00	Not available	0.00	0.50	ACUITE BB+ Stable Reaffirmed
Maanaveeya Development & Finance Private Limited	Not Applicable	Term Loan	10-03-2020	15.00	Not available	0.00	0.83	ACUITE BB+ Stable Reaffirmed
Catholic Syrian Bank	Not Applicable	Term Loan	21-03-2020	11.35	Not available	0.00	1.11	ACUITE BB+ Stable Reaffirmed
Tamil Nadu Mercantile Bank	Not Applicable	Term Loan	25-03-2021	11.05	Not available	0.00	1.33	ACUITE BB+ Stable Reaffirmed
City Union Bank Ltd	Not Applicable	Term Loan	30-03-2021	12.50	Not available	0.00	1.05	ACUITE BB+ Stable Reaffirmed
City Union Bank Ltd	Not Applicable	Term Loan	23-05-2017	12.50	Not available	0.00	0.98	ACUITE BB+ Stable

								Reaffirmed
Millap Social Ventures Private Limited	Not Applicable	Term Loan	Not available	5.75	Not available	0.00	0.27	ACUITE BB+ Stable Reaffirmed
Dhanlaxmi Bank Ltd	Not Applicable	Term Loan	21-10-2021	11.65	Not available	0.00	2.35	ACUITE BB+ Stable Reaffirmed
UCO Bank	Not Applicable	Term Loan	01-09-2020	11.00	Not available	0.00	1.50	ACUITE BB+ Stable Reaffirmed
Canara Bank	Not Applicable	Term Loan	06-09-2021	9.35	Not available	0.00	4.01	ACUITE BB+ Stable Reaffirmed
Union Bank of India	Not Applicable	Term Loan	22-09-2020	11.35	Not available	0.00	4.75	ACUITE BB+ Stable Reaffirmed
Maanaveeya Development & Finance Private Limited	Not Applicable	Term Loan	30-09-2021	15.00	Not available	0.00	4.79	ACUITE BB+ Stable Reaffirmed

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About Acuité Ratings & Research

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